

Packaging Regular SBA Loan Applications Training Session Handout
Presented by Tom Rooney – October 6, 2004

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**PACKAGING REGULAR
SBA LOANS**

October 6, 2004

Presented by: Tom Rooney
Wisconsin SBA Office

SBA for the 21st Century

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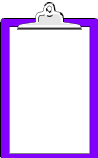
Why a Good Package???

- Provides a Faster Answer
- Favorable Decision

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CHECKLIST - What is It?

- Recipe
- Index
- Bank's Responsibility
- Yes vs. N/A
- Helpful Hints / Information Sheet



www.sba.gov/wi/checklistgp.pdf

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Lenders Application-Form 4-I

www.sba.gov/sbaforms/sba4-i.pdf

- Identification
- Terms
- Signatures
- Balance Sheet
- Profit/Loss
- Fixed Obligations
- Lenders Analysis

www.sba.gov/sbaforms/sba4-i.pdf

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7a ELIGIBILITY SHEET

- Form of Ownership
- Size Standards
- Any Debt Refinancing?
- Other Eligibility Issues

www.sba.gov/wi/7aeligibilitysheet.pdf

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CREDIT REPORT

- Business
- Principals



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Application for Business Loan

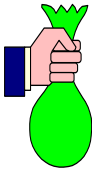
- Identification ✓
- Use of Proceeds ✓
- Debt Summary ✓
- Ownership ✓
- Questions/Exhibits ✓

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Owner's Equity

- Usually Cash
- Standby Debt
- Personal Assets
- How Much??
- RMA/Rule of Thumb



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Business Financial Statements

- Current P/L and B/S
- Prior 3 Years
- Signed by Applicant or Seller
- Cost Basis per GAAP
- Tax Returns

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Aging of A/R and A/P

- Coincide w/ B/S Date
- Normal Aging Breakdown
- 30, 60, 90, 120+
- Material? Need Comment
- Adjust for Aged Accounts

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Projections!

- Format
- Require Assumptions
- Realistic



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Description of Business

- Year Established? Under present Owners?
- Manufacturer? Wholesaler? Retailer? Service?
- Product or Service Offered
- Competitive Advantage?
- Territory/Industry

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Net Worth Reconciliation

- Makes Necessary Adjustments
- Tests Accuracy of Balance Sheets
- Meaningful only if Annual B/S provided

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Net Worth Example

• 2001 NW (Ending)		\$150,000
• 2002 Net Profit	\$80,000	
• Less Draws/Dividend	(\$30,000)	\$ 50,000
• 2002 NW (Ending)		\$200,000
• 2003 N/P	\$100,000	
• Less Draws/Dividends	(\$125,000)	(\$ 25,000)
• 2003 NW (Ending)		\$175,000

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Management Resume'

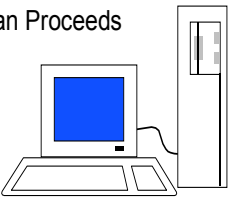
- Education
 - Degree(s)
 - Institution, Dates
- Experience
 - Employer
 - Title, Duties
- Other



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Machinery & Equipment


- If Offered as Collateral OR
- If Acquired with Loan Proceeds



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Personal Financial Statement

- Use SBA Form 413 if Possible
www.sba.gov/sbaforms/sba413.pdf
- Current
- In Ink
- Realistic Values



www.sba.gov/sbaforms/sba413.pdf

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Statements of Affiliates

- Broadly Defined
 - Ownership
 - Management
 - Contract
- Latest Year-End F/S Only
- May Affect Applicant
 - Size Standard or Loan Amount and Credit


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Franchise Businesses

Franchise Registry?
located at www.franchiseregistry.com
or
FTC Disclosure Statement

- Franchisor's Financial Statements
and
- Franchise Agreement



www.franchiseregistry.com

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Compensation Agreement

- SBA Form 159 -
www.sba.gov/sbaforms/sba159.pdf
- Required if Employ a Representative
- Fee Must Be Reasonable
- Completed by Applicant



www.sba.gov/sbaforms/sba159.pdf

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Offer to Purchase/Purch. Agree.

- Binding Contract
- Shows Price. Location
- Conditions
- Closing Date

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APPRAISAL

- Independent Analysis
- Needed for Acquisition/Refinancing
- "Complete"
 - Cost
 - Income
 - Comparable Sales
- "Limited"
 - Must use Comparable Sales

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Statement of Personal History

- Form 912 – Required -
www.sba.gov/sbaforms/sba912.pdf
- Name, Address, Birth Date, Citizen
- Indictment, Parole, Probation
- Arrested / Convicted
- All Principals

www.sba.gov/sbaforms/sba912.pdf

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Environmental Considerations

- Environmental Investigation
- Required on all Primary RE collateral
- Results must go to SBA
- TSA/Phase I/Phase II, Phase III Audit
- Can be Prior to Disbursement



Participant Debt Refinancing

- Usual Criteria
 - Exist. Debt NOT on Reasonable Terms
 - Must save 20% per year Cash Flow
- AND
- Transcript of Account
- Statement re: Currency
